Putting Together the Whole Picture

Making your student loan repayment manageable

An Exit Program
Solve the Repayment Puzzle

• Sort through all the pieces of information
• Guidelines to help you work through the puzzle
• Move the pieces into one place to simplify the process
• Choose the best strategy for success

Reveal a manageable repayment plan for your loans …
# Student Debt Profile

## STUDENT DEBT PROFILE

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Years</th>
<th>Outstanding Principal Balance</th>
<th>Estimated Payment</th>
<th>Extend Term (15-Year)</th>
<th>Extend Term (20-Year)</th>
<th>Extend Term (25-Year)</th>
<th>Extend Term (30-Year)</th>
<th>Interest Only Estimated Payment</th>
</tr>
</thead>
<tbody>
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<td><strong>$110,434</strong></td>
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<td><strong>$601</strong></td>
<td><strong>$561</strong></td>
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**Note:** 3.50% interest rate assumed

Values shown are estimates and intended for use as a guideline
## Repayment Ability

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<tr>
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<th>$200</th>
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<th>$1,600</th>
<th>$1,800</th>
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<td>$30,000</td>
<td>8.00%</td>
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</tbody>
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### Educational Payment as a Percent of Gross Monthly Income

- **Manageable** (8% or less)
- **Challenging** (between 8% and 18%)
- **Complex** (18% or greater)
Sorting Through the Pieces

• Identify your lender(s) and servicer(s)
• A lender or servicer will:
  – Send interest statements
  – Calculate and monitor grace period
  – Set your first payment due date
  – Process payments
  – Write or call if you are late with a payment
• Request an account statement for each loan
Sorting Through the Pieces

• Keep a file of all paperwork
  – Account statements
  – Lender and servicer contact information
  – Promissory notes
  – Financial aid office correspondence
  – Lender and servicer correspondence

• Know your rights and responsibilities
Take it Section by Section

Federal Borrowers

- In-School
- Grace Period
- Deferment
- Forbearance
- Repayment

Private loan borrowers should contact their lender for details.
In-School

• Attending school at least half time
• Interest accrues only on unsubsidized loans
• Interest rate lower than in repayment

Private loan borrowers should contact their lender for details.
Grace Period

- Time between when you leave school and when you must begin repayment
- Interest accrues only on unsubsidized loans
- Interest rate lower than in repayment

Private loan borrowers should contact their lender for details.
10-Year Repayment Plans

Repayment Guidelines

Private loan borrowers should contact their lender for details.
Remember Prepayment

- Make extra payments or pay entire balance at any time without penalty
- An option for every repayment plan
Deferment Basics

• Postponement of repayment for a specific time period
• Apply and meet criteria
• Interest accrues only on unsubsidized loans
• Interest rate lower than in repayment

Reduce total repayment: pay accrued interest during in-school, grace and deferment.
Deferment Options

Top Four Federal Deferments

- In-school
- Economic Hardship
- Unemployment
- Pursuing a Graduate Fellowship or Rehabilitation Training
Forbearance Basics

• Use **only** if you are not eligible for deferment or have exhausted deferment benefits
• Temporary postponement or reduction of payment
• Apply and meet criteria
• Interest accrues on *both* subsidized and unsubsidized loans
• Interest rate equals current repayment rate
• Interest capitalization occurs at the end of each forbearance period
Interest Capitalization

- Lender adds accrued interest to the outstanding principal balance of the loan
- Accruing interest on interest
- Frequency of capitalization varies by lender

Pay accrued interest prior to capitalization; the loan will cost you less overall.
Keep them Separate

Private or Institutional Loans: Ask Questions

- Is there a grace period, and what is the length?
- When does repayment begin, and how long does it last?
- Can I postpone repayment?
- What are my deferment and forbearance options and requirements?
- How and when is interest calculated?
- What are your interest capitalization policies?
Focusing on the Details

• Develop a budget
  – Prevent financial trouble
  – Learn how to be a smart consumer
  – Prepare a secure future by setting and achieving goals
# Adding it All Up

<table>
<thead>
<tr>
<th>Est. Monthly Gross Income</th>
<th>$</th>
<th>% of Gross</th>
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<tbody>
<tr>
<td>Est. Monthly Expenses</td>
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<td></td>
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<tr>
<td>Savings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes/Salary Deductions</td>
<td></td>
<td></td>
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<tr>
<td>Student Loan Payments</td>
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<td></td>
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<tr>
<td>Rent/Mortgage</td>
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<td>Car Payment</td>
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<td>Insurance Premiums</td>
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<td>Credit Card Payments</td>
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<td><strong>Total</strong></td>
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<tr>
<td><strong>Discretionary Income</strong></td>
<td>- or + $</td>
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## Debt Management

- **Know Your Fixed & Variable Expenses**
- **Don’t Rely on Credit Cards**
- **Explore Student Loan Payment Options**
Piece by Piece

- Corner pieces -- lenders and servicers
- Guidelines for working through the puzzle -- loan types and patterns
- Important details -- budget
Move All the Pieces into One Place

Federal Loan Consolidation can make things easier!

- Simplify
- Reduce
- Lock
Consolidation Requirements

- Must be in grace period or have entered repayment on loans selected for consolidation
  - Includes loans in deferment or forbearance
Eligible Loans

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Private loans are not eligible for federal consolidation.
Repayment Term

- Extending the term lowers monthly payments
- Length is limited based on your total outstanding student loan debt

<table>
<thead>
<tr>
<th>Amount Owed</th>
<th>Loan Term (Years)</th>
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<tbody>
<tr>
<td>Less than $7,500</td>
<td>10</td>
</tr>
<tr>
<td>$7,500 - $9,999</td>
<td>12</td>
</tr>
<tr>
<td>$10,000 - $19,999</td>
<td>15</td>
</tr>
<tr>
<td>$20,000 - $39,999</td>
<td>20</td>
</tr>
<tr>
<td>$40,000 - $59,999</td>
<td>25</td>
</tr>
<tr>
<td>$60,000 or more</td>
<td>30</td>
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</table>
Interest Rate

- Fixed interest rate is the weighted average of consolidated loans’ rates
- Round up to the nearest 1/8 of 1% (.125) and fix
- Grace period and deferment ideal times to apply
- Variable rates change every July 1
Eligible Deferments

• Economic Hardship
• Pursuing a Graduate Fellowship

Gain peace of mind and simplify your student loan debt today.
Selecting the Right Lender

The only differences between consolidation lenders are service and incentives.
Selecting the Right Lender

Service
• Knowledge and experience
• Accessibility
• Credibility
• Long-term commitment
Compare Incentives

Ask the Lender:
- What is the incentive?
- Is there a waiting period?
- What happens if I miss a payment?
- What happens if I request a deferment?
- How many of your borrowers receive it?

T.H.E. Repayment Bonus:
- Monthly credit
- Starts immediately upon repayment
- Will not lose benefit
- Deferments/forbearances do not harm availability
- More than 90% of our borrowers in repayment receive the bonus
Consolidation Benefits

- **Simplify** your student loans with one point of contact
- **Reduce** your monthly payment amount
- **Lock** in a low, fixed interest rate for up to 30 years
- Make only **one monthly payment**, not multiple
- **Improve** your financial status
- **Qualify** for other purchases
Looking at the Whole Picture

### Monthly Student Loan Payment

<table>
<thead>
<tr>
<th>Estimated Salary</th>
<th>$200</th>
<th>$400</th>
<th>$600</th>
<th>$800</th>
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**Manageable**
- **Consolidation**: ✓
- **Extend Term**: ✓
- **Interest Only**: ✓
- **Deferment/Forbearance**: ✓

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*Estimated Salary*:
- $30,000
- $40,000
- $50,000
- $100,000
- $125,000
- $150,000
- $175,000
- $200,000
- $225,000
- $250,000

*Monthly Student Loan Payment*:
- $200
- $400
- $600
- $800
- $1,000
- $1,200
- $1,400
- $1,600
- $1,800
- $2,000
- $2,200

*Percentages*:
- 8.00%
- 16.00%
- 24.00%
- 32.00%
- 40.00%
- 48.00%
- 56.00%
- 64.00%
- 72.00%
- 80.00%
- 88.00%
Don’t Bump the Puzzle

• Delinquent: late monthly payment
  – Collection activity
  – Damage to credit rating

• Default: failure to pay for 270 days
  – Collection and legal activity
  – Damage to credit rating for seven years or more
  – Wages could be garnished
  – Professional license could be suspended or revoked

Remember:
Provide your contact information to lenders/servicers
Don’t ignore mail
FINANCIAL SUCCESS

- Budget
- Loan Consolidation
- Repayment Strategy
- Reduce High-Interest Debt
- Prepay

Discussion and Questions